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IN THE

Supreme Court of the United States

OCTOBER TERM, 1956

No. ~~H33~~ 233

PUTNAM TOOL COMPANY, a Michigan Corporation, in its own right and as successor in interest to E. C. Putnam and F. J. Nefske, d/b/a Putnam Tool Company, a co-partnership,

and

E. C. PUTNAM and F. J. NEFSKE, d/b/a Putnam Tool Company, a co-partnership, for the use and benefit of Putnam Tool Company, a Michigan Corporation, *Petitioner,*

v.

UNITED STATES OF AMERICA, *Respondent.*

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1956

No.

PUTNAM TOOL COMPANY, a Michigan Corporation, in its own right and as successor in interest to E. C. Putnam and F. J. Nefske, d/b/a Putnam Tool Company, a co-partnership,

and

E. C. PUTNAM and F. J. NEFSKE, d/b/a Putnam Tool Company, a co-partnership, for the use and benefit of Putnam Tool Company, a Michigan Corporation, *Petitioner,*

v.

UNITED STATES OF AMERICA, *Respondent.*

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

The above-named petitioner by its attorneys prays that a writ of certiorari issue to review the judgment of the United States Court of Claims entered in the above-entitled cause on January 16, 1957.

OPINIONS BELOW

The opinion of the United States Court of Claims (R. 23) is reported at 147 F. Supp. 746.

JURISDICTION

The judgment of the United States Court of Claims was entered on January 16, 1957 (R. 23-27), and a copy thereof is appended to this petition in the Appendix at pp. 3a-7a. A petition for reconsideration was timely filed on February 15, 1957 (R. 28), and was denied on April 3, 1957 (R. 28). The jurisdiction of this Court is invoked under 28 U.S.C. Sec. 1255 (1).

QUESTIONS PRESENTED

I. Whether payment of a unilateral order of the War Contracts Price Adjustment Board demanding interest at the rate of six percentum per annum on the principal amount due under the Board's determination of excessive profits, which rate of interest was required by an executive regulation, issued without lawful authority, precludes a suit for recovery in the Court of Claims of the difference between the amount of interest paid at the rate required by the regulation and the amount due at a reasonable rate on the ground that the payment at the rate prescribed by the regulation and the order was voluntary.

II. Whether, as a condition to recovery of amounts paid as required by an invalid regulation and under a demand of the War Contracts Price Adjustment Board, the Government must agree that suit may be brought in the Court of Claims.

STATUTES, FEDERAL RULES AND REGULATIONS INVOLVED

The pertinent portions of Title 28 U.S.C., Sec. 1491; the Second Renegotiation Act (Title VII, Revenue Act of 1943, 58 Stat. 78, Act of February 25, 1944); Fed. Rules Civ. Proc., Rule 41; and Renegotiation

Regulation dated December 29, 1944, 10 Fed. Reg. 963, 1009 (January 26, 1945), 32 Code Fed. Regs. § 1606.626-(2)(c) (Cum. Supp. 1944), are set forth in the Appendix at pp. 1a-2a.

STATEMENT

In a suit under 28 U.S.C. 1491 (2)(3),[1] providing for jurisdiction in the Court of Claims to render judgment upon any claim against the United States "Founded upon any Act of Congress; or Founded upon any regulation of an executive department", petitioner sought recovery of a sum equivalent to the difference between (a) the amount paid by it in compliance with a demand of the War Contracts Price Adjustment Board issued pursuant to a regulation of that Board requiring that interest be paid at 6 percent on the principal amount determined by the Board as excessive profits, and (b) the amount which petitioner admits it owed as interest on such determination at a fair and equitable rate of interest.

The War Contracts Price Adjustment Board, on adoption of the unilateral determination of the War Department Price Adjustment Board determining excessive profits, demanded that the petitioner repay to the United States the sum of $468,175 (after adjustment for tax credit) together with interest thereon at the rate of six percent per annum on that sum from March 14, 1946. (R. 7-8) Petitioner filed a petition in the Tax Court of the United States for a redetermination of the amount of excessive profits determined by the War Contracts Price Adjustment Board, which petition was dismissed on June 13, 1950, on motion of the parties. (R. 3). On July 30, 1947,

[1] See Appendix pp. 1a-2a.

the United States filed an action in the District Court, Eastern District of Michigan, under the applicable provisions of the Renegotiation Act[2] for the collection of the unilateral order of the War Contracts Price Adjustment Board, which action was dismissed after stipulation of the parties by order of the Court entered on June 2, 1950. (R. 3, 9, 10). Said dismissal was without prejudice under Rule 41 of the Federal Rules of Civil Procedure.[3] From time to time after the issuance of the order of the War Contracts Price Adjustment Board the Government withheld amounts otherwise due petitioner for supplies furnished the Government and, without petitioner's consent, applied such amounts to interest computed at six percent on the renegotiation indebtedness determined to be owing by the War Contracts Price Adjustment Board. (R. 3-4, 11-15). Petitioner subsequently paid the entire amount of the balance determined to be owing by the War Contracts Price Adjustment Board, including interest assessed at the rate of six percent per annum, and thus stopped the further accrual of interest on such determined amounts. Upon payment of such balance, petitioner stated that payment was not being made in recognition of the correctness of the determination. (R. 16). On final payment of such balance, petitioner, after filing a claim for refund of the difference between the amount of interest exacted at the regulatory rate and the amount recognized to be owing at a fair and equitable rate of interest, filed suit in the Court of Claims for recovery of such amount. (R. 5).

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[2] Section 403(c)(2) of the Renegotiation Act of 1943. See Appendix p. 1a.

[3] See Appendix p. 2a.

In its opinion, the Court of Claims recognized that in its prior decisions in *Eversharp* v. *United States*, (1954) 129 C. Cls. 722, 125 F. Supp. 244 and (1956) — C. Cls. —, 147 F. Supp. 502, the regulation of the War Contracts Price Adjustment Board requiring interest at six percent per annum be paid on renegotiation indebtedness was held invalid,[4] that interest at four percent per annum was reasonable, and that petitioner in that case was entitled to recover the amounts paid in excess of four percent interest per annum. The elements of duress were essentially the same in both *Eversharp* and in the instant case: collection by the Government of an order of an executive department at the six percent interest on the assumed authority of a regulation, and the constant accrual of interest, payment of which the Government required before any withholdings or amounts otherwise paid were to be applied to principal. The Court below, nevertheless, distinguished the *Eversharp* decision on the rationale that the overpayment of interest cannot be recovered "except by inducing the creditor [Government] to agree that a suit to recover the payment might be brought", (R. 26) and granted the Government's motion to dismiss the petition.

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[4] The majority of the Court of Appeals have, as the Court of Claims, declared the regulation of the War Contracts Price Adjustment Board requiring interest be paid at 6 per cent per annum to be invalid. cf. *United States* v. *Abrams*, (CA-6, 1952) 197 F. 2d 803, cert. den., 344 U. S. 855, 97 L. ed. 664; *United States* v. *Bonnell*, (CA-9, 1950) 180 F. 2d 145; *United States* v. *Wissahickon Tool Works, Inc.*, (CA-2, 1952) 200 F. 2d 936; *United States* v. *Edward Valves, Inc.* (CA-7, 1953) 207 F. 2d 329; *Ring Construction Corp.* v. *United States*, (CA-8, 1954) 209 F. 2d 668; *United States* v. *Best et al*, (CA-1, 1954) 212 F. 2d 743. *Contra: United States* v. *Philmac Mfg. Co.*, (CA-3, 1951) 192 F. 2d 517.

REASONS FOR GRANTING THE WRIT

The decision of the Court below should be reviewed because it is not in accord with the decisions of this Court. The decision below also introduces a new concept in Federal law which calls for consideration by this Court.

I. In *Swift & C. & B. Co.* v. *United States,* (1884) 111 U. S. 22, 28 L. ed. 341, 4 S. Ct. 244, this Court held that where the Commissioner of Internal Revenue made known a rule with respect to commissions on sale of stamps (which the Court later determined to be invalid) and transactions were made on the basis of the rule because they could be made on no other, the equivalence of coercion was implied and a claim against the Government arising therefrom was recoverable in the Court of Claims. In *United States* v. *Edmondston,* (1901) 181 U. S. 500, 45 L. ed. 971, 21 S. Ct. 718, where a purchaser of public land from the Government paid an amount per acre in excess of the amount for which, under the Acts of Congress, the land could be purchased, this Court observed that there was *no ruling* of the Land Department that the land was subject to greater charge paid, thus distinguished *Swift & C. & B. Co.* v. *United States,* and denied the claim for recovery of the excess paid. In *United States* v. *Emery, Bird, Thayer Realty Co.,* (1915) 237 U. S. 28, 59 L. ed. 825, 35 S. Ct. 499, this Court held that the lower Court, sitting as a court of claims, had jurisdiction over a claim for recovery of money paid, and without discussion on the point, affirmed the decision of the lower Court that where payment was made of an assessment, the alternative of which was the risk of an asserted five percent penalty and

interest accumulation of one percent per month, the payment was made under duress.

The decision of the lower Court herein is not in accord with the decisions of this Court in the above cases on the question of "legal duress."

II. Aside from the conflict with the decisions of this Court, and despite the recognition by the Court below that it had jurisdiction over the claim presented, as in *Eversharp,* supra, the Court below imposed a novel condition to a suit for recovery of money alleged to have been wrongfully assessed by the Government: that the plaintiff in the Court of Claims must induce the Government that suit might be brought. Such condition is not only novel in law but gives the executive department arbitrary power over suits in the Court of Claims. The decision of the Court below of itself raises an important question of Federal law which requires consideration by this Court.

CONCLUSION

For the reasons set forth above, it is respectfully submitted that this petition for a writ of certiorari should be granted.

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APPENDIX

STATUTES

Renegotiation Act of 1943, 58 Stat. 78, 83, c. 63 (50 App. U.S.C.A. Section 1191):

"Sec. 403 (c) (2) Upon the making of an agreement, or the entry of an order, under paragraph (1) by the Board, or the entry of an order under subsection (e) by The Tax Court of the United States, determining excessive profits, the Board shall forthwith authorize and direct the Secretaries of any of them to eliminate such excessive profits (A) by reductions in the amounts otherwise payable to the contractor under contracts with the Departments, or by other revision of their terms; or (B) by withholding from amounts otherwise due to the contractor any amount of such excessive profits; or (C) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to a subcontractor, any amount of such excessive profits of such subcontractors; or (D) by recovery from the contractor, through repayment, credit, or suit any amount of such excessive profits actually paid to him; or (E) by any combination of these methods, as is deemed desirable. Actions on behalf of the United States may be brought in the appropriate courts of the United States to recover from the contractor any amount of such excessive profits actually paid to him and not withheld or eliminated by some other method under this subsection. * * *"

Title 28 U.S.C. § 1491. "Claims against United States generally

The Court of Claims shall have jurisdiction to render judgment upon any claim against the United States:

(1) Founded upon the Constitution; or

(2) Founded upon any Act of Congress; or

(3) Founded upon any regulation of an executive department; or

(4) Founded upon any express or implied contract with the United States; or

(5) For liquidated or unliquidated damages in cases not sounding in tort."

REGULATION

Renegotiation Regulations, 32 C.F.R. 1944, Ch. 14

"§ 1606.626-2 No delay in elimination of excessive profits determined by order.

* * * *

(c) Interest at the rate of 6% per annum accrues upon the amount determined as excessive profits to be eliminated less the tax credit, if any, from and after the date fixed in the demand for payment."

MISCELLANEOUS

Federal Rules of Civil Procedure

Rule 41. Dismissal of Actions

(a) Voluntary Dismissal: Effect Thereof

(1) By Plaintiff; by Stipulation. Subject to the provisions of Rule 23 (e), of Rule 66, and of any statute of the United States, an action may be dismissed by the plaintiff without order of court (i) by filing a notice of dismissal at any time before service by the adverse party of an answer or of a motion for summary judgment, whichever first occurs, or (ii) by filing a stipulation of dismissal signed by all parties who have appeared in the action. Unless otherwise stated in the notice of dismissal or stipulation, the dismissal is without prejudice, except that a notice of dismissal operates as an adjudication upon the merits when filed by a plaintiff who has once dismissed in any court of the United States or of any state an action based on or including the same claim.

Opinion of the Court

IN THE UNITED STATES COURT OF CLAIMS

No. 186-56

(Decided January 16, 1957)

PUTNAM TOOL COMPANY, a Michigan corporation, in its own right and a successor in interest to E. C. Putnam and F. J. Nefske, d/b/a Putnam Tool Company, a co-partnership, and E. C. PUTNAM and F. J. NEFSKE, d/b/a Putnam Tool Company, a co-partnership, for the use and benefit of Putnam Tool Company, a Michigan Corporation,

v.

THE UNITED STATES

Mr. Fuller Holloway, for the plaintiff. *Messrs. Lee I. Park, Charles D. Hamel, K. Martin Worthy, Fuller Holloway, and Hamel, Park & Saunders* were on the brief.

Mr. James H. Prentice, with whom was *Mr. Assistant Attorney General George Cochran Doub*, for defendant.

ON DEFENDANT'S MOTION TO DISMISS PLAINTIFF'S PETITION

MADDEN, *Judge*, delivered the opinion of the court:

The plaintiff is a corporation which has succeeded to the rights and obligations of a former partnership. In this opinion the word *plaintiff* will be used to designate the partnership, and, in its turn, the corporation.

The plaintiff sues to recover a sum which represents the difference between the 4 percent interest which it says it should have been charged, and the 6 percent interest which it was in fact charged, on its indebtedness to the Government resulting from a renegotiation of war contracts performed by it for the Government.

By a notice dated February 27, 1946, the War Contracts Price Adjustment Board notified the plaintiff that it had adopted the determination made by its subordinate board that the plaintiff had realized excessive profits in the year 1943 in the amount of $610,000, and that, recomputing the plaintiff's taxes to take account of the reduction of its income by that amount, it owed the Government $468,175. The notice demanded the payment of the latter sum, and said that interest at 6 percent would accrue on that sum after March 14, 1946.

On May 23, 1946, the plaintiff filed a petition in the Tax Court of the United States, the proper tribunal for such a proceeding, seeking a redetermination and reduction of the amount of its asserted excessive profits. On July 30, 1947, the Government brought a suit against the plaintiff in the United States District Court for the Eastern District of Michigan, to recover the amount of the plaintiff's renegotiation indebtedness. While that suit was pending, the Government set off in 1947 and 1948, three small sums otherwise due the plaintiff against the renegotiation indebtedness; on May 15, 1950, the plaintiff paid the Government $150,000 to apply on the indebtedness; and on June 2, 1950, the plaintiff paid the Government $434,176.10 as full payment of the remaining principal of the indebtedness, and accrued interest at 6 percent. On that same day, June 2, the Government's suit in the District Court was dismissed by stipulation of the parties.

When the plaintiff paid the Government the $434,176.10 on June 2, 1950, it wrote a letter saying:

> There is tendered herewith a certified check in the amount of $434,176.10 in full payment for all liability of the Putnam Tool Company for renegotiation liability, together with interest thereon as of this date. This payment is not made in recognition of the correctness of the determination nor in derogation of our right to continue to contest the validity of the determination if we so desire in the Tax Court of the United States.

The Tax Court proceeding was dismissed on June 13, 1950, on motion of the parties.

The plaintiff says that it paid interest at the rate of 6 percent because of the compulsion of an order of the War Contracts Price Adjustment Board, under the authority of an invalid renegotiation regulation fixing the rate of interest on unpaid renegotiation debts at 6 percent. It says that a fair and equitable rate of interest would be not more than 4 percent, and it sues for the difference, which amounts to $39,497.11.

In our decisions in *Eversharp, Inc.* v. *United States*, 129 C. Cls. 772 and — C. Cls. —, July 12, 1956, we held that the renegotiation regulation fixing the 6 percent rate of interest was invalid. Congress did not prescribe a rate of interest, nor authorize the War Contracts Price Adjustment Board to do so. But the Government is entitled to interest on debts owing to it. In the absence of a legislative, or a valid executive prescription of a rate of interest, the rate must be determined by the court, if the question of the rate is disputed and litigated. If a court fixes the rate, it does so on the basis of what is reasonable in the circumstances. In litigation over renegotiation debts, different District Courts, regarding the 6 percent regulation of the War Contracts Price Adjustment Board as invalid, have determined various rates of interest varying from 6 percent down, to be reasonable. In the second *Eversharp* case we determined 4 percent to be reasonable.

In the absence of a determination of a reasonable rate of interest by a court, we know of no other way in which the rate can be determined and the debt liquidated than by the action of the parties. In this case, for example, the Government demanded 6 percent, and the plaintiff paid it. It was not unlawful for the Government to demand 6 percent, since the question of what rate would be reasonable was an arguable question. The reason, no doubt, for the Government's agency's demanding 6 percent was that it thought that that rate was prescribed by a valid regulation.

And the reason that the plaintiff paid the 6 percent may well have been the same. Do these circumstances give the plaintiff the right to litigate the reasonableness of the rate in this suit in this court for the return of a part of the interest paid?

Other contractors whose profits had been renegotiated, and from whom interest at 6 percent had been demanded, refused to pay it, and, when sued by the Government, succeeded in persuading the court that a lesser rate of interest was reasonable. The plaintiff could have done the same. In fact, the Government did, as we have seen, sue the plaintiff in the District Court in 1947, and that suit was pending for some three years. In the meantime, the plaintiff had a proceeding pending in the Tax Court for a redetermination of the principal of the debt. Then, in June 1950, the plaintiff paid the entire balance of the principal and interest demanded by the Government, and both court proceedings were dismissed by stipulation of the parties.

We think that the plaintiff's payment to the Government was a voluntary payment, in the legal sense, and that it cannot recover a part of it in this suit. What apparently happened was that it had not occurred to the plaintiff that it might successfully dispute the interest charge, until after it had paid the Government's claim. Two years later the decision in *United States* v. *Abrams*, C. A. 6, 197 F. 2d, 803, *certiorari* denied 344 U. S. 855 came out, the first decision that the 6 percent renegotiation regulation was invalid. One cannot, in the absence of fraud or duress or mistake of fact or reservation agreement, or, perhaps, other special circumstances, pay a claim and later sue to recover the amount paid.

The plaintiff alleges, as we have said, that there was compulsion upon it which caused it to pay the claim. The debt was large, and the interest, at whatever rate, was accruing in a large amount. That is, however, true of any interest-bearing debt or asserted debt, and there would seem to be no way to stop the interest by payment, and at the same

time preserve the right to recover all or part of the payment, except by inducing the creditor to agree that a suit to recover the payment might be brought. That is what was done in the *Eversharp* case, *supra*. The fact that interest will or may accrue upon a claim, if it is not paid, is not legal duress which will make its payment recoverable.

The plaintiff points to the letter that it wrote when it made its payment in full. We have quoted the letter above. It said:

> This payment is not made in recognition of the correctness of the determination nor in derogation of our right to contest the validity of the determination if we so desire in the Tax Court of the United States.

The plaintiff says that this letter preserved its right to prosecute the instant suit. We think the letter had no relation to interest, the subject matter of the instant suit. The Tax Court's function was to examine the correctness of the administrative determination of the amount of the excess profits. It had nothing to do with determining the correct rate of interest if the renegotiation debt was not paid. We need not decide whether or not an attempted unilateral reservation of a right to sue to recover a payment made would be effective, since the plaintiff's letter did not purport to be a reservation of any right except to pursue its pending proceeding in the Tax Court. Even this right was voluntarily abandoned a few days later by the dismissal of the proceeding upon the motion of both parties.

The defendant's motion to dismiss the plaintiff's petition is granted.

It is so ordered.

LARAMORE, *Judge*; WHITAKER, *Judge*; LITTLETON, *Judge*; and JONES, *Chief Judge*, concur.

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In the Supreme Court of the United States

OCTOBER TERM, 1957

PUTNAM TOOL COMPANY, ET AL., PETITIONERS

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

BRIEF FOR THE UNITED STATES IN OPPOSITION

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In the Supreme Court of the United States

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

BRIEF FOR THE UNITED STATES IN OPPOSITION

OPINION BELOW

The opinion of the Court of Claims is reported at 147 F. Supp. 746.

JURISDICTION

The decision of the Court of Claims was entered January 16, 1957. A petition for reconsideration, timely filed, was denied on April 3, 1957 (R. 28). The petition for a writ of certiorari was filed June 28, 1957. The jurisdiction of this Court is invoked under 28 U. S. C. 1255 (1).

QUESTION PRESENTED

Whether petitioners, having paid to the United States renegotiation indebtedness as determined by the War Contracts Price Adjustment Board, together

with interest at six percent per annum, can now recover a portion of the interest paid on the ground that it was excessive.

STATEMENT

On February 27, 1946, petitioners were advised by the War Contracts Price Adjustment Board of its determination that they had realized excessive profits for fiscal year 1943, after adjustment for taxes, in the amount of $468,175 (Pet. 4a). The Board's letter demanded payment of that sum, and stated that interest at six percent would accrue thereon beginning March 14, 1946 (Pet. 4a). Petitioners on May 23, 1946, filed suit in the Tax Court for a redetermination of their asserted excessive profits (Pet. 4a), and the United States on July 30, 1947, filed a suit in a district court to collect the renegotiation indebtedness (Pet. 4a). Subsequently, while both of these actions were pending, the United States in 1947 and 1948 set off against the renegotiation indebtedness three small sums otherwise due petitioners; on May 15, 1950, petitioners paid the Government $150,000 on the indebtedness; and on June 2, 1950, petitioners paid the Government $434,176.10 as full payment of the remaining principal of the indebtedness, together with accrued interest at six percent (Pet. 4a). The payment of June 2, 1950, was accompanied by a letter in which petitioners stated (Pet. 4a):

> There is tendered herewith a certified check in the amount of $434,176.10 in full payment for all liability of the Putnam Tool Company for renegotiation liability, together with interest thereon as of this date. This payment is

> not made in recognition of the correctness of the determination nor in derogation of our right to continue to contest the validity of the determination if we so desire in the Tax Court of the United States.

By stipulation, the Government's suit in the district court was dismissed on June 2, 1950, and the Tax Court proceeding on June 13, 1950 (Pet. 4a–5a).

Some two years later, petitioners for the first time claimed that they should have paid interest at the rate of four percent, rather than at six percent, and, after unsuccessful attempts to obtain a refund of the alleged overpayment from the administrative agencies, filed this suit in the Court of Claims on April 30, 1956. The Court of Claims, on January 16, 1957, granted the Government's motion to dismiss (Pet. 3a). The court held that petitioners' payment to the Government of six percent interest was voluntary and therefore could not be recovered in a later suit (Pet. 6a). Rejecting petitioners' claim that the payment was under compulsion because it was made in order to stop the running of interest, the court pointed out that "The fact that interest will or may accrue upon a claim, if it is not paid, is not legal duress which will make its payment recoverable" (Pet. 7a).

Finally, the court distinguished the situation from that in *Eversharp, Inc.* v. *United States*, 129 C. Cls. 772 and No. 593–53, decided July 12, 1956, where it had held that the War Contracts Price Adjustment Board was not authorized to promulgate a regulation fixing six percent interest upon renegotiation debts, and accordingly had reduced the interest upon the

contractor's liability to four percent, which it found to be reasonable in the circumstances. The court pointed out that, in *Eversharp,* the contractor's payment of six percent interest was made under an express agreement with the Government that it could later sue to recover the payment, but that petitioners here had made no such arrangement. The opinion noted that petitioners' letter of June 2, 1950, attempting to reserve their right to pursue their pending Tax Court suit "had nothing to do with determining the correct rate of interest" (Pet. 7a), and that even the right to continue the Tax Court proceeding was voluntarily abandoned a few days later when that suit was dismissed by stipulation (Pet. 7a).

ARGUMENT

Petitioners made a voluntary payment of interest at six percent to the United States, and cannot now maintain a suit for reimbursement of a portion of that money. Recovery is barred, not only by the general rule that one cannot recover money voluntarily paid under mistake of law to satisfy a *bona fide* claim, but also because such claims are based on quasi-contract and are therefore not within the jurisdiction of the Court of Claims. Accordingly, petitioners' suit was properly dismissed.

1. It is well settled that the federal courts have no jurisdiction to order repayment of money voluntarily paid to the United States, even if such payment was made under a mistake of law. *United States* v. *Edmondston,* 181 U. S. 500; *Baltimore Mail S. S. Co.* v. *United States,* 76 F. 2d 582 (C. A. 4), certiorari

denied, 296 U. S. 595.[1] Such claims are based on the theory of quasi-contract, or contract implied in law, and thus beyond the jurisdiction conferred upon the federal courts by the Tucker Act (28 U. S. C. 1346 (a) (2)). *Alabama* v. *United States*, 282 U. S. 502; *United States* v. *Minnesota Mutual Investment Co.*, 271 U. S. 212; *Baltimore Mail S. S. Co.* v. *United States, supra.*[2]

Even apart from the jurisdictional bar, it is clear that petitioners have no substantive right to recovery for their voluntary payment. It is accepted law that "a person who, induced thereto solely by a mistake of law, has conferred a benefit upon another to satisfy in whole or in part an honest claim of the other to the performance given, is not entitled to restitution."

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[1] This Court "has distinctly and constantly recognized the doctrine that where there has been a voluntary payment of money, using that term in its customary legal sense, the money so paid cannot be recovered, and also that that doctrine applies to cases in which one of the parties is the government, and that money thus voluntarily paid to the government cannot be recovered." *United States* v. *Edmondston*, *supra*, 181 U. S. at 510–511.

[2] In the *Baltimore Mail* case, as here, suit was brought to recover alleged overpayment of interest to the United States. In holding that the district court had no jurisdiction under the Tucker Act to entertain the action, the Fourth Circuit pointed out (76 F. 2d at 584):

"It is not a suit to enforce a liability created by statute, nor is it a suit upon a contract either express or implied in fact. It is a suit to recover interest paid the United States on the theory that such interest was unlawfully exacted of plaintiff; and proceeds solely upon the theory that there is a duty imposed by law to repay the monies thus wrongfully collected. In other words, recovery is sought upon the theory of quasi contract, or contract implied in law."

Restatement, Restitution (1937) § 45; See 5 Williston, *Contracts* (1937) § 1582.[3] Hence petitioners' claim was properly dismissed both on substantive and jurisdictional grounds.

2. Petitioners' payment of their renegotiation liability was clearly voluntary. They were under no legal compulsion to pay the amount determined by the War Contracts Price Adjustment Board, being entitled under Section 403 (c) of the Renegotiation Act (50 U. S. C. App. 1191 (c)) to a *de novo* redetermination thereof in the Tax Court. In fact, they had already commenced an action for such redetermination when they decided instead to pay to the Board in full, including accrued interest at six percent. The collection suit in the district court had not reached judgment. Payment under such conditions is held to be "voluntary" as a matter of law, and hence not recoverable in a later action. See, e. g., *Wourduck* v. *Becker*, 55 F. 2d 840 (C. A. 8).[4]

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[3] Section 45 of the Restatement illustrates this principle with the following highly pertinent example (Illustration 3, p. 185):

"3. Five per cent. yearly is fixed by statute as the amount payable as interest upon debts, unless the parties have specified otherwise. A owes B a liquidated sum and in settlement thereof pays B interest at the rate of 7 per cent., both parties erroneously believing that to be the amount fixed by statute. A is not entitled to restitution from B."

[4] As the *Wourduck* opinion points out (55 F. 2d at 842):

"The general rule is that, where an unfounded or illegal demand is made upon a person, and the law furnishes him adequate protection against it, or gives him an adequate remedy, and, instead of taking the protection the law gives him or the remedy it furnishes, he pays what is demanded, such pay-

The fact that petitioners made payment in order to avoid continued accrual of interest upon their obligation or to avoid the expense and inconvenience of further proceedings does not, of course, constitute duress. To establish duress giving a right to restitution, the payor must have "reasonably believed that if the payment was not made the means taken to enforce collection of the tax or assessment would subject him to serious risk of imprisonment or of the loss of possession of his things or of other substantial loss." *Restatement, Restitution,* § 75.[5] Petitioners here were under no such coercion, but made a "purely voluntary" payment, based upon a mistake which "was mutual and one of law * * *" *United States* v. *Edmondston, supra,* 181 U. S. at 515; accordingly, their attempt to recover a portion of this payment was properly denied.

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ment is deemed to be a voluntary, and not a compulsory payment."

Moreover, recovery of an illegal tax, even if paid under duress, is permissible "only provided that the taxpayer was conscious of its invalidity. If he believed the tax valid, his payment is under mistake of law, and, therefore, 'voluntary.'" Williston, *supra,* § 1619A; see *Restatement of Restitution* § 75. Petitioners, of course, never contended that the rate of interest on their obligation was improper and even their attempted reservation of the right to contest the principal assessment in the Tax Court was voluntarily relinquished by stipulation (Pet. 7a).

[5] Thus, in the two cases upon which petitioners rely, duress was in fact shown: In *Swift Co.* v. *United States,* 111 U. S. 22, the taxpayer, a large manufacturer, had no alternative but "to submit to an illegal exaction, or discontinue its business." 111 U. S. at 30; similarly, in *United States* v. *Emery, Bird, Thayer Realty Co.,* 237 U. S. 28, payment was expressly found to have been made "under duress and protest." 237 U. S. at 31.

CONCLUSION

For the foregoing reasons it is respectfully submitted that the petition for a writ of certiorari should be denied.

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